Copper Reef Mining Corporation

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2012 AND 2011

(Expressed in Canadian Dollars)

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Copper Reef Mining Corporation

We have audited the accompanying financial statements of Copper Reef Mining Corporation, which comprise the statements of financial position as at November 30, 2012, November 30, 2011 and December 1, 2010, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended November 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Copper Reef Mining Corporation as at November 30, 2012, November 30, 2011 and December 1, 2010, and its financial performance and its cash flows for the years ended November 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 28, 2013

Copper Reef Mining Corporation
Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	**November 30, 2012 $**	November 30, 2011 $ (Note 17)	December 1, 2010 $ (Note 17)
Assets				
Current assets				
Cash		**387,635**	957,327	1,303,617
Marketable securities	4	**2,287,000**	2,400,000	3,600,000
Amounts receivable	5	**12,750**	34,850	26,065
Total current assets		**2,687,385**	3,392,177	4,929,682
Non-current assets				
Equipment	6	**5,968**	8,526	–
Evaluation and exploration assets	7	**8,535,588**	8,011,194	5,185,272
Total Assets		**11,228,941**	11,411,897	10,114,954
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	8	**114,293**	235,595	384,089
Flow-through premium liability	9(b)	–	543,246	150,250
Total current liabilities		**114,293**	778,841	534,339
Deferred income tax liabilities	10	**1,359,000**	845,000	928,500
Total Liabilities		**1,473,293**	1,623,841	1,462,839
Shareholders' equity				
Share capital	9(a)(b)	**12,821,625**	12,266,784	9,735,902
Stock option reserve	9(c)	**353,800**	353,800	220,600
Warrant reserve	9(d)	**16,042**	245,562	48,686
Deficit		**(3,435,819)**	(3,078,090)	(1,353,073)
Total Shareholders' Equity		**9,755,648**	9,788,056	8,652,115
Total Liabilities and Shareholders' Equity		**11,228,941**	11,411,897	10,114,954

Commitments and contingencies (Notes 1, 7 and 12)

Subsequent events (Note 16)

Approved on behalf of the Board of Directors

"Stephen L. Masson" ***"Robert N. Granger"***

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Director **Director**

Copper Reef Mining Corporation
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	**Years ended November 30** **2012** **$**	2011 (Note 17) $
Expenses			
Amortization	6	**2,558**	1,505
General and administrative	11(a)	**300,386**	415,891
Investor relations		**13,990**	42,602
Generative exploration	11(a)	**266,269**	296,888
Share based payment	9(c)	**–**	145,700
Total expenses		**583,203**	902,586
Other income/(loss)			
Interest income		**–**	155
Unrealized (loss) on marketable securities	4	**(127,000)**	(1,200,000)
Proceeds from optioning property	7	**24,000**	–
Total other (loss)		**(103,000)**	(1,199,845)
(Loss) before income taxes		**(686,203)**	(2,102,431)
Deferred income tax recovery	10	**82,912**	190,182
Net (loss) and comprehensive (loss) for year		**(603,291)**	(1,912,249)
(Loss) per share, basic and diluted		**(0.006)**	(0.020)
Weighted average shares outstanding, basic and diluted		**105,087,420**	94,590,949

The accompanying notes are an integral part of these financial statements.

Copper Reef Mining Corporation
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Number of Shares #	Amount $	Stock Option Reserve $	Warrant Reserve $	Deficit $	Total Shareholders' Equity $
Balance as at December 1, 2010	**17**	**79,453,590**	**9,735,902**	**220,600**	**48,686**	**(1,353,073)**	**8,652,115**
Units issued for cash, private placement		18,101,044	2,898,534	–	445,547	–	3,344,081
Share issue costs		–	(216,913)	–	–	–	(216,913)
Tax effect of share issue costs		–	58,568	–	–	–	58,568
Flow through share premium		–	(558,246)	–	–	–	(558,246)
Share-based payments		–	–	145,700	–	–	145,700
Options exercised		200,000	32,500	(12,500)	–	–	20,000
Warrants exercised		1,700,000	316,439	–	(61,439)	–	255,000
Warrants expired		–	–	–	(187,232)	187,232	–
Net loss and comprehensive loss for the year		–	–	–	–	(1,912,249)	(1,912,249)
Balance as at November 30, 2011	**17**	**99,454,634**	**12,266,784**	**353,800**	**245,562**	**(3,078,090)**	**9,788,056**
Shares issued for cash, private placement		5,166,666	620,000	–	–	–	620,000
Flow through share premium		–	(81,667)	–	–	–	(81,667)
Share issue costs		–	(88,700)	–	–	–	(88,700)
Tax effect of share issue costs		–	28,000	–	–	–	28,000
Broker warrants		–	(16,042)	–	16,042	–	–
Warrants expired		–	–	–	(245,562)	245,562	–
Shares issued for royalty interests		2,000,000	85,000	–	–	–	85,000
Shares issued for exploration assets		100,000	8,250	–	–	–	8,250
Net loss and comprehensive loss for the year		–	–	–	–	(603,291)	(603,291)
Balance as at November 30, 2012		**106,721,300**	**12,821,625**	**353,800**	**16,042**	**(3,435,819)**	**9,755,648**

The accompanying notes are an integral part of these financial statements.

Copper Reef Mining Corporation
Statements of Cash Flows
(Expressed in Canadian Dollars)

		Years Ended November 30	
			2011
		2012	$
	Notes	$	(Note 17)
Cash Flows from Operating Activities			
Net (loss) for the year		(603,291)	(1,912,249)
Unrealized loss on marketable security		127,000	1,200,000
Shares received from optioning property		(14,000)	–
Deferred income tax recovery		(82,912)	(190,182)
Amortization		2,558	1,505
Share based compensation		–	145,700
Decrease (increase) in amounts receivable		22,100	(8,785)
Increase (decrease) in accounts payable and accrued liabilities		1,564	(152,537)
Cash (used in) operating activities		(546,981)	(916,548)
Cash Flows from Financing Activities			
Proceeds from share and warrant issuance		620,000	3,344,081
Share issue costs		(88,700)	(169,616)
Exercise of options		–	20,000
Exercise of warrants		–	255,000
Cash provided from financing activities		531,300	3,449,465
Cash Flows from Investing Activities			
Purchase of equipment		–	(10,031)
Evaluation and exploration expenditures		(709,970)	(2,869,176)
MEARA rebates received		155,959	-
Cash (used in) investing activities		(554,011)	(2,879,207)
(Decrease) in cash		(569,692)	(346,290)
Cash, beginning of year		957,327	1,303,617
Cash, end of year		387,635	957,327

Supplemental information:

Change in accrued exploration expenditures		(122,867)	43,254
Change in accrued share issue costs		–	8,128
Broker warrants issued for services	9(b)	16,042	45,053
Shares issued for evaluation and exploration assets	7	93,250	–

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Copper Reef Mining Corporation (the "Company" or "Copper Reef") was incorporated under the laws of the Province of Manitoba by Letters Patent of Incorporation dated March 27, 1973 as "Copper Reef Mines (1973) Limited", as amended by Articles of Amendment dated January 18, 2005, and Articles of Amendment dated September 8, 2006, changing the corporate name to "Copper Reef Mining Corporation". The registered and head office of the Company is located at 6 Mitchell Road, Flin Flon, Manitoba R8A 1N1.

The shares of the Company are listed on the CDNX Exchange under the symbol "CZC". The Company is engaged in the identification, acquisition and exploration of mineral properties in Canada, with present activities concentrated in the provinces of Manitoba and Saskatchewan.

The financial statements of Copper Reef for the year ended November 30, 2012 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on March 28, 2013.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements. These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

As at November 30, 2012, the Company had not advanced its property interests to commercial production and is not able to finance day to day activities through operations. The Company incurred losses of $603,291 during the year ended November 30, 2012, and had an accumulated deficit of $3,435,819 as at November 30, 2012. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and through the raising of equity (see Note 16), and expects that its current capital resources will be sufficient to carry out its exploration plans and operations for the coming twelve months.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE AND CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standards ("IAS") 1, Presentation of Financial Statements and IFRS 1, First Time Adoption of IFRS ("IFRS 1").

b) BASIS OF PREPARATION AND PRESENTATION

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for adoption on November 30, 2012, the Company's first annual reporting date. The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS statement of financial position at December 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1). The impact of the transition from Canadian GAAP to IFRS on the Company's statements of financial position as at December 1, 2010 and November 30, 2011 and the statement of loss and comprehensive loss for the year ended November 30, 2011 and the statement of cash flows for the year ended November 30, 2011 is explained in Note 17. The preparation of financial statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The financial statements have been prepared on the historical cost basis except for marketable securities which are measured at fair value as set out in the accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) SIGNIFICANT MANAGEMENT JUDGMENT AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

c) SIGNIFICANT MANAGEMENT JUDGMENT AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONT'D)

- ***Asset carrying values and impairment charges***

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence of the significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- ***Capitalization of evaluation and exploration costs***

Management has determined that evaluation and exploration costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, proximity of operating facilities, operating management expertise and existing permits. See Note 7 for details of capitalized evaluation and exploration costs.

- ***Mineral reserve estimates***

The Company has no properties with mineral resources or reserves. In the event that resources or reserves were to be identified in the future, such reserves or resources would be determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

c) SIGNIFICANT MANAGEMENT JUDGMENT AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONT'D)

- ***Impairment of evaluation and exploration assets***

While assessing whether any indications of impairment exist for evaluation and exploration assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of evaluation and exploration assets. Internal sources of information include the manner in which evaluation and exploration assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's evaluation and exploration assets.

- ***Estimation of decommissioning and restoration costs and the timing of expenditure***

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon reclamation of the exploration property or decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- ***Income taxes and recoverability of potential deferred tax assets***

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

c) SIGNIFICANT MANAGEMENT JUDGMENT AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONT'D)

- ***Share-based payments***

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- ***Contingencies***

Refer to Note 12.

d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition. As at November 30, 2012, November 30, 2011, and December 1, 2010, the Company did not have any cash equivalents.

e) FINANCIAL INSTRUMENTS

Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its cash and amounts receivable as loans and receivables. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net loss. The Company has classified its marketable securities as FVTPL. Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

e) FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. The Company has no financial liabilities classified as FVTPL.

De-recognition of financial assets and liabilities

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

E) FINANCIAL INSTRUMENTS (CONT'D)

Impairment of financial assets

The Company assesses at each statement of financial position date whether a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. Objective evidence of impairment of loans and receivables exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counter-party that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

f) TAXATION

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

g) LOSS PER SHARE

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. Diluted loss per share for the years presented do not include the effect of issued and outstanding warrants and stock options as they are anti-dilutive.

h) SHARE-BASED PAYMENTS

Share-based payment transactions and stock option reserve

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the option holder become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date, and reflects the Company's best estimate of the number of equity instruments that are ultimately expected to vest. The profit or loss charge or credit for a year represents the movement in cumulative expense and the corresponding amount is represented in stock option reserve until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. No expense is recognized for awards that do not ultimately vest. For those awards that expire after vesting, the recorded value is transferred to deficit.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Warrant reserve

The warrant reserve records the grant date fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

i) EVALUATION AND EXPLORATION ASSETS AND GOVERNMENT ASSISTANCE

Direct property acquisition costs, certain exploration and evaluation costs such as drilling, geotechnical analysis and mapping relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they are expected to be amortized on a unit of production basis, or until the properties are sold, abandoned or allowed to lapse, at which time they will be written-off.

Costs include the cash consideration paid and the fair market value of shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds received from options granted are applied to the cost of the related property and any excess is included in operations for the year.

Costs incurred for administration and general exploration that are not project specific, are charged to operations. Government assistance is recorded when it is more likely than not to be received. Amounts received from government assistance are credited against the deferred exploration expenditures to which they relate.

Prior to obtaining property rights or licenses, preliminary exploration and evaluation costs are recorded as an expense in the statement of loss and comprehensive loss for the period in which they are incurred

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic basis and will recognize impairment in value based upon the stage of exploration, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property.

Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration costs are capitalized as deferred development expenditures included within property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

j) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For evaluation and exploration assets, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area. Impairment losses of continuing operations are recognized in net loss in those expense categories consistent with the function of the impaired asset.

k) CURRENCY TRANSLATION

The presentation currency and the functional currency of the Company is the Canadian dollar. The Company does not have any significant transactions denominated in foreign currencies.

l) EQUIPMENT

Equipment, which is comprised of vehicles, is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at amortized cost less impairment losses, if any. Amortization is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. Amortization is provided on a declining balance basis over the estimated useful lives of the equipment using a 30% annual rate.

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the statements of loss during the financial year in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

m) EMPLOYEE BENEFITS – WAGES, SALARIES AND ANNUAL VACATION LEAVE

Liabilities arising in respect of wages and salaries, vacation leave and any other employee benefits expected to be settled within twelve months of the financial position reporting date are measured at undiscounted amounts based on remuneration rates which are expected to be paid when the liabilities are settled. In respect of employees' services up to the financial position reporting date, wages and salaries are recognized in trade and other payables and other employee benefits including annual vacation leave are recognized in current provisions.

Employee and management bonus plans

As at November 30, 2012, November 30, 2011 and December 1, 2010, the Company had no employee or management bonus plans, other than the stock option plan as described in Note 9(c).

n) REHABILITATION PROVISION

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in profit or loss. As at November 30, 2012, November 30, 2011 and December 1, 2010, the Company did not have any material rehabilitation provisions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

o) LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term. As at November 30, 2012, November 30, 2011 and December 1, 2010, the Company did not have any finance leases.

p) CONTINGENCIES

Contingent assets

Contingent assets are not recognized in the financial statements but they are disclosed by way of a note if they are deemed probable.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the financial statements.

q) FLOW-THROUGH SHARES

Flow-through shares are a unique Canadian tax incentive. Flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted market price of the common shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for the premium paid by the investors and is then reversed through the statement of loss and comprehensive loss in the period of renunciation. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required expenditures.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after December 1, 2012 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 9, Financial Instruments − Classification and Measurement ("IFRS 9") was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories:

- amortized cost and
- fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with early adoption permitted. The Company has not yet determined the potential impact of IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements − ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company does not have any subsidiaries at this time.

IFRS 11 Joint Arrangements − ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning December 1, 2013. The Company has not yet determined the impact of IFRS 11 on its financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

IFRS 12 Disclosure of Interests in other Entities - ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of IFRS 12 on its financial statements.

IFRS 13 Fair Value Measurement – ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of IFRS 13 on its financial statements.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of amendments to IAS 1 on its financial statements.

IAS 28 Investments in Associates and Joint Ventures - ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company has not yet determined the impact of the amendments to IAS 28 on its financial statements.

IAS 32 Financial Instruments: Presentation - ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

MARKETABLE SECURITIES

The Company's marketable securities consist of the following:

	November 30, 2012			November 30, 2011			December 1, 2010	
Security Issuer	Number of shares held	Fair value $	Unrealized (loss) for the year $	Number of shares held	Fair value $	Unrealized (loss) for the year $	Number of shares held	Fair value $
Foran Mining Corporation	4,000,000	2,280,000	(120,000)	4,000,000	2,400,000	(1,200,000)	4,000,000	3,600,000
Jaxon Minerals Inc.	100,000	7,000	(7,000)	-	-	-	-	-
		2,287,000	(127,000)		2,400,000	(1,200,000)		3,600,000

5. AMOUNTS RECEIVABLE

The Company's amounts receivable are broken down as follows:

	November 30, 2012 $	**November 30, 2011 $**	**December 1, 2010 $**
Goods and services tax receivable	12,750	34,850	26,065
Total	12,750	34,850	26,065

6. EQUIPMENT

	Cost $	**Accumulated Amortization $**	**November 30, 2012 Net Book Value $**	**November 30, 2011 Net Book Value $**	**December 1, 2010 Net Book Value $**
Vehicles	10,031	4,063	5,968	8,526	–

7. EVALUATION AND EXPLORATION ASSETS

The Company holds interest in 40 properties, with 38 held by way of mineral claims and two by mineral leases , all located in Saskatchewan and Manitoba. Twenty five of the properties are consolidated into eight groups and the remaining fifteen are presently considered individual properties.

7. EVALUATION AND EXPLORATION ASSETS (CONT'D)

Royalty repurchases

During the year ended November 30, 2012, the Company negotiated the purchase of three royalties, two of which were against sixteen properties and one against fifteen properties. Two of the royalties were Net Smelter Returns ("NSR") and one a Net Profits Interest ("NPI"). The purchases are summarized as follows:

Royalty holder	No. of Properties	Type of Royalty	%	Cash paid	Shares issued	Share hold period
Vista Gold Corp.	16	NSR	2%	$ 100,000	1,000,000	3 years to June 26, 2015
A.L. Parres Ltd.	15	NSR	1%	50,000	250,000	4 months to January 7, 2013
Thundermin Resources Inc.	16	NPI	6%	35,000	750,000	3 years to August 15, 2015
Totals	**20**			**$ 185,000**	**2,000,000**	

A continuity schedule of the capitalized expenditures allocated to individual major properties and summarized for minor properties is shown overleaf:

	Totals $	Mink Narrows Group $	Gold Rock Group $	Smelter Group $	Hanson Lake $	Alberts Lake Group $	Morgan Group $	Kississing / Kiss Group $	Otter Group $	Lucille $	Others $
Balance before MEAP, Dec. 1, 2010	**5,516,620**	**2,436,358**	**1,686,874**	**–**	**940,107**	**3,175**	**326,953**	**28,934**	**–**	**94,219**	**–**
MEAP to Dec. 1, 2010	(331,348)	(60,808)	(255,340)	–	–	–	–	–	**–**	(15,200)	–
Balance Dec. 1, 2010	**5,185,272**	**2,375,550**	**1,431,534**	**–**	**940,107**	**3,175**	**326,953**	**28,934**	**–**	**79,019**	**–**
Claim acquisition & holding	**17,019**	–	–	–	–	–	–	17,019	–	–	–
Assay	**82,414**	–	–	4,019	40,372	35,236	–	2,787	–	–	–
Geological	**76,100**	–	2,500	–	71,100	2,500	–	–	–	–	–
Field labour costs	**306,650**	–	–	91,815	98,458	106,465	–	9,912	–	–	–
Other fields costs	**246,744**	11,994	9,787	140,239	20,070	24,528	2,500	6,571	4,924	9,209	16,922
Diamond drilling	**2,096,995**	–	–	1,380,623	417,297	299,075	–	–	–	–	–
Total 2011 expenditures	**2,825,922**	**11,994**	**12,287**	**1,616,696**	**647,297**	**467,804**	**2,500**	**36,289**	**4,924**	**9,209**	**16,922**
Balance, Nov 30, 2011	**8,011,194**	**2,387,544**	**1,443,821**	**1,616,696**	**1,587,404**	**470,979**	**329,453**	**65,223**	**4,924**	**88,228**	**16,922**
Royalty purchase	**270,000**	58,552	64,439	61,301	63,975	17,853	–	1,615	–	2,265	–
Claim acquisition & holding	**46,260**	516	469	5,147	224	516	–	5,996	18,104	74	15,214
Assay	**15,724**	–	–	2,841	–	–	–	9,839	3,044	–	–
Geological	**119**	–	–	–	–	–	–	–	119	–	–
Field labour costs	**195,377**	–	3,888	18,163	24,700	15,900	–	39,088	88,575	–	5,063
Other fields costs	**71,134**	1,346	578	4,316	2,896	11,714	–	23,231	22,492	–	4,561
Diamond drilling	**81,739**	–	–	–	144	8,400	–	73,195	–	–	–
Total 2012 expenditures	**680,353**	**60,414**	**69,374**	**91,768**	**91,939**	**54,383**	**–**	**152,964**	**132,334**	**2,339**	**24,838**
Subtotal	**8,691,547**	**2,447,958**	**1,513,195**	**1,708,464**	**1,679,343**	**525,362**	**329,453**	**218,187**	**137,258**	**90,567**	**41,760**
2012 MEARA Rebates	**(155,959)**	**–**	**–**	**(104,909)**	**–**	**–**	**–**	**(44,800)**	**–**	**–**	**(6,250)**
Balance, Nov 30, 2012	**8,535,588**	**2,447,958**	**1,513,195**	**1,603,555**	**1,679,343**	**525,362**	**329,453**	**173,387**	**137,258**	**90,567**	**35,510**

7. Evaluation and Exploration Assets (Cont'd)

Mink Narrows Group, Manitoba

The Mink Narrows Group includes the Mink Narrows, Mystic and Payuk properties. The claims are 100% owned by the Company.

Gold Rock Group, Manitoba

The Gold Rock Group includes the Gold Rock, North Star and Star properties, the North Star mining lease and the Gold Rock mining lease. The North Star property and mining lease are subject to a 2% NSR.

The Gold Rock Mining Lease is 100% owned by the Company, subject to a 2% NSR. In addition the NSR holder retains a 25% NPI in the first 25 feet below surface of vein material as currently documented.

Also included in the Gold Rock Group is the Murr claim, also owned 100% by the Company, subject to a 1% NSR.

Smelter Property, Manitoba

The Smelter property is comprised of three contiguous claims and is 100% owned by the Company.

Hanson Lake, Saskatchewan

The Hanson Lake Property consists of a single claim located in the Hanson Lake area of Saskatchewan. It is 100% owned by the Company.

Alberts Lake Group, Manitoba

The Alberts Lake Group includes the Alberts Lake, Lew, Leo Lake, Amulet, Mike, Mur and Hanna properties. With the exception of the Mike 1 (15% NPI) and Mur 6 (2% NSR, all claims are 100% owned by the Company.

Morgan Group, Manitoba

The Morgan Group includes the Morgan, Bruce Morgan, Woo and Woosey properties. The Morgan claims are 100% owned, subject to a 10% NPI with an advance royalty payment of $150,000 upon the making of a Bruce Morgan Property production decision by the Company. The Woo and Woosey claims are 100% owned with no underlying royalties or charges.

Kississing/Kiss Group, Manitoba

The Kississing/Kiss Group includes the Kississing and Kiss properties. The claims are 100% owned by the Company.

7. Evaluation and Exploration Assets (Cont'd)

Otter Group, Manitoba

The Otter Group includes the Otter Lake and Twin Lakes properties. On December 23, 2011, the Company announced the 100% acquisition of the Otter Lake Property for $5,000 and 50,000 shares of the Company. The vendor retained a 1% NSR.

Lucille Lake, Manitoba

The Lucille Lake property includes three, unpatented mineral claims, all of which are owned 100% by the Company with no underlying agreements or royalties.

Other Individual Claims

The Company also holds title to fourteen additional properties, ten of which do not carry any capitalized costs. The remaining properties are the Cook Lake, Hammel Lake, Jewel Box and Radar Properties.

On April 23, 2012, the Company announced that it had acquired 100% of the Hamell Lake Property for $5,000 and 50,000 shares. The vendor retains a 1% NSR.

On January 23, 2012, the Company announced that it had reached an option agreement with Jaxon Minerals Inc (JAX-TSX-V) "Jaxon" whereby, Jaxon can earn a 100% interest over a four year period, to the Company's Burn Property for a total consideration of $10,000 (received), 1,900,000 Jaxon shares (100,000 received, valued at $14,000) and a work commitment of $600,000 to earn 100% interest. The Company will retain a 2.5% NSR of which 1% can be purchased by Jaxon for $1,000,000 or alternatively, at the Company's election, payment of a $1.00 per ton royalty for ore extracted from the property.

8. Accounts Payable and Accrued Liabilities

The Company's accounts payable and accrued liabilities are broken down as follows:

	November 30, 2012	**November 30, 2011**	**December 1, 2010**
	$	**$**	**$**
Trade payables and accrued liabilities	**104,293**	137,015	334,986
Due to related parties (Note 11(a))	**10,000**	98,580	49,103
Total	**114,293**	235,595	384,089

9. SHARE CAPITAL

a) AUTHORISED SHARE CAPITAL

Unlimited number of common shares without par value

b) ISSUED SHARE CAPITAL

As at November 30, 2012, the Company had 106,721,300 issued and fully paid common shares (November 30, 2011 – 99,454,634 and December 1, 2010 – 79,453,590).

i) In December 2010, the Company issued 750,000 flow-through units at $0.12 per flow-through unit and 1,000,000 non-flow-through units at $0.10 per unit for aggregate gross proceeds of $190,000. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant and each non-flow-through unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.20 per share until December 2, 2011. A director of the Company and two corporations controlled by an officer who is also a director of the Company subscribed for a total of 550,000 flow-through units for gross proceeds of $66,000. The Company was committed to incur, prior to December 31, 2011, $90,000 in qualifying exploration expenditures pursuant to this private placement.

ii) In February 2011, the Company issued 7,000,000 flow-through units at $0.15 per unit for gross proceeds of $1,050,000. Each flow-through unit consisted of one common share and one common share purchase warrant exercisable into one common share of the Company at a price of $0.15 per share until August 1, 2011 (extended to November 1, 2011). The Company was committed to incur prior to December 31, 2012, on a best efforts basis, $1,043,000 in qualifying exploration expenditures pursuant to this private placement.

iii) In March 2011, the Company issued 1,721,044 units at $0.18 per unit for gross proceeds of $309,781. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share of the Company at a price of $0.33 per share until March 1, 2012. The Company also issued 4,800,000 super flow-through units to Manitoba residents at $0.25 per unit (gross proceeds of $1,200,000) and 2,830,000 regular flow-through units at $0.21 per unit (gross proceeds of $594,300). Each flow-through unit consisted of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.33 per share until March 1, 2012. Pursuant to this issue, 654,570 warrants were issued to brokers (exercisable for one common share at $0.18 per share for 18 months). A corporation controlled by an officer who is also a director of the Company subscribed for 55,555 units for gross proceeds of $10,000. The Company was committed to incur prior to December 31, 2012, on a best efforts basis, $1,794,300 in qualifying exploration expenditures pursuant to this private placement.

9. SHARE CAPITAL (CONTINUED)

b) ISSUED SHARE CAPITAL (CONTINUED)

iv) In March 2011, 200,000 options were exercised into shares for $20,000 cash.

v) In September 2011, 1,700,000 warrants were exercised into shares for $255,000 cash.

vi) In February 2011, the Company renounced, with an effective date of December 31, 2010, $666,500 of CEE related to proceeds from the issuance of flow-through shares. Consequently, this increased the deferred income tax liability by $180,000. The Company also reversed the deferred tax impact of $56,132 relating to a 2007 flow-through renunciation which was denied by the CRA during the year ended November 30, 2011.

vii) In December 2011, the Company issued 5,166,666 flow-through shares at $0.12 per share for gross proceeds of $620,000. Pursuant to this issue, 291,667 warrants were issued to brokers, exercisable for one common share per warrant at $0.12 for 18 months. The Company is committed to incur prior to December 31, 2012, on a best efforts basis, $620,000 in qualifying exploration expenditures pursuant to this private placement. An officer of the Company purchased 50,000 units for $6,000. A family member of another officer of the Company purchased 100,000 units for gross proceeds of $12,000, and a corporation controlled by the same officer purchased 350,000 units for gross proceeds of $42,000 pursuant to this financing.

viii) In August 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 1,000,000 shares valued at $0.045 per share based on the quoted market price of the shares on the measurement date.

ix) In September 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 750,000 shares valued at $0.04 per share based on the quoted market price of the shares on the measurement date.

x) In September 2012, pursuant to a NSR purchase agreement described in Note 7, the Company issued 250,000 shares valued at $0.04 per share based on the quoted market price of the shares on the measurement date.

xi) In February 2012, the Company renounced, with an effective date of December 31, 2011, $3,457,300 of CEE related to proceeds from the issuance of flow-through shares. Consequently, this increased the deferred income tax liability by $933,000.

9. SHARE CAPITAL (CONT'D)

c) INCENTIVE STOCK OPTIONS

Pursuant to the Company's stock option plan (the "Plan"), the Company may grant to its employees, officers, directors and consultants, options to purchase common shares of the Company at a fixed price as determined by the board of directors. The options vest in accordance with the terms of their granting and have a maximum term of five years. The common shares reserved for issuance under the Plan will not exceed, in aggregate, 10% of the Company's common shares issued and outstanding at the time of grant.

No stock options were granted during the year ended November 30, 2012. The following tables summarize the Company's stock option transactions during the years ended November 30, 2011 and 2012:

Grant date	Number of options	Weighted average exercise price
Balance, December 1, 2010	3,520,000	$ 0.10
Exercised	(200,000)	0.10
Granted, April 2011	200,000	0.11
Granted, June 2011	1,575,000	0.10
Balance, November 30, 2011 and 2012	**5,095,000**	**$ 0.10**

All options vest immediately and their fair values are expensed to stock-based compensation and reflected as contributed surplus. Fair values are estimated using the Black-Scholes valuation model with the following assumptions: (1) 3,520,000 options granted during the year ended November 30, 2010 had an estimated grant date fair value of $220,600 based on risk-free interest rate – 2.52%; expected volatility – 113%; expected dividend yield – 0%; and expected life – 5 years. 200,000 of these options were exercised during the year ended November 30, 2011. (2) 200,000 options granted during the quarter ended May 31, 2011 had an estimated grant date fair value of $17,000 based on a risk-free interest rate – 2.61%; expected volatility – 105%; expected dividend yield – 0%; and expected life – 5 years. (3) 1,575,000 options granted during the quarter ended August 31, 2011 had an estimated grant date fair value of $128,700 based on a risk-free interest rate – 2.15%; expected volatility – 105%; expected dividend yield – 0%; and expected life – 5 years.

9. Share Capital (Continued)

As at November 30, 2012, the following options were outstanding:

Expiry date	Number of issued and exercisable options	Weighted average remaining contractual life (in years)	Weighted average exercise price
May 25, 2015	3,320,000	2.48	$ 0.10
April 27, 2016	200,000	3.41	0.11
June 15, 2016	1,575,000	3.55	0.10
Total	5,095,000	2.85	$ 0.10

d) Warrants

The following table summarizes a continuity of outstanding warrants:

	Expiry date	Issued	Exercise Price $	Estimated Grant Date Fair Value $
Balance, December 1, 2010		**2,945,000**	**0.20**	**48,686**
Issued	December 2, 2011	1,750,000	0.20	29,447
Issued	November 1, 2011	7,000,000	0.15	199,985
Issued	September 1, 2012	5,536,056	0.33	171,062
Issued	September 1, 2012	654,570	0.18	45,053
Exercised		(1,700,000)	0.15	(61,439)
Expired		(8,245,000)	0.17	(187,232)
Balance, November 30, 2011		**7,940,626**	**0.29**	**245,562**
Issued	June 9, 2013	291,667	0.12	16,042
Expired		(7,940,626)	0.29	(245,562)
Balance, November 30, 2012		**291,667**	**0.12**	**16,042**

9. SHARE CAPITAL (CONTINUED)

The weighted average grant date fair value of the warrants issued during the year ended November 30, 2012 of $0.06 (2011 - $0.02) was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Expected dividend yield	0%	0%
Expected volatility	115%	112%
Risk free interest rate	0.92%	1.69%
Expected life (years)	1.5	1.0

As at November 30, 2012, the following warrants were outstanding:

Expiry date	**Number of issued and exercisable warrants**	**Weighted average remaining contractual life (in years)**	**Weighted average exercise price**
June 9, 2013	291,667	0.52	0.12
	291,667	0.52	0.12

10. INCOME TAX

Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 27.1% (2011 – 28.5%) are as follows:

	2012	2011
	$	$
(Loss) before income taxes	**(686,203)**	(2,102,431)
Expected income tax recovery based at statutory rate	**(186,000)**	(602,000)
Adjustments to benefit arising from:		
Non-taxable portion of unrealized loss	**16,000**	135,000
Stock-based compensation	**-**	56,900
Share issue costs	**(46,000)**	(8,340)
Effect of flow through expenditure shortfall	**-**	56,132
Change in expected tax rates	**-**	26,100
Change in deferred tax assets recognized	**16,000**	135,000
Other	**117,088**	11,026
Deferred income tax (recovery)	**(82,912)**	(190,182)

10. INCOME TAX (CONT'D)

Deferred income tax balances

The tax effect of temporary differences that give rise to deferred income tax assets and liabilities in Canada at November 30, 2012 and 2011 approximate the following:

Deferred income tax assets (liabilities) recognized:

	November 30, 2012	November 30, 2011	December 1, 2010
	$	$	$
Non-capital losses	**660,000**	497,700	509,800
Resource properties	**(2,082,000)**	(1,420,200)	(1,468,100)
Capital assets	**1,000**	400	-
Marketable securities	**-**	-	(27,000)
Share issue costs	**62,000**	77,100	56,800
Net deferred income tax liability	**(1,359,000)**	(845,000)	(928,500)
Deferred tax assets not recognized:			
Marketable securities	**302,000**	135,000	-

The Company has approximately $2,444,000 of non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. These losses expire as follows:

2015	$ 20,800
2026	723,600
2027	495,200
2028	285,300
2029	356,500
2031	522,900
2032	39,700
Total	$ 2,444,000

As at November 30, 2012, the Company has unclaimed share issue costs of $230,000 (2011 - $295,000) which may be available to reduce future taxable income. The Company also had an earned depletion base of $Nil (2011 - $5,000) and Canadian exploration expenditures of $825,000 (2011 - $3,045,480) as at November 30, 2012, which under certain circumstances, may be utilized to reduce taxable income in future years.

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) RELATED PARTY BALANCES

		Fiscal 2012		Fiscal 2011		
Related party	Purpose	Amount Paid $	Accounts payable or accrued at year-end $	Amount Paid $	Accounts payable or accrued at year-end $	Note
Corporation controlled by a director	Management fees	42,000	–	42,000	–	11(b)
	Expenses	–	-	8,762	-	
Corporation controlled by an officer	Filing fees	30,000	–	30,000	–	11(b)
Corporation controlled by an officer	Chief Financial Officer fees	30,000	–	21,250	–	11(b)
Accounting firm of which an officer of the Company is a partner	Professional fees	49,741	10,000	58,816	20,275	
Corporation controlled by a director and significant shareholder	Management fees - related	144,000	-	144,000	-	11(b)
	Management fees – other	13,342	-	40,928	-	
	Capitalized to exploration	415,997	-	633,651	-	
	Rent and utilities	27,057	-	43,051	-	
	Office and general	16,543	-	89,573	78,305	

During the year ended November 30, 2012, the Company recorded director's fees of $nil (2011 - $nil).

11. RELATED PARTY TRANSACTIONS (CONTINUED)

b) KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of management were as follows:

	For the year ended November 30	
	2012	2011
	$	$
Short term employee benefits (Note 11(a))	**246,000**	237,250
Share-based payments	**-**	116,000
	246,000	353,250

In accordance to IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

c) SHARE SUBSCRIPTIONS

See Note 9(b) and Note 16 for a description of related party share subscriptions.

12. COMMITMENTS AND CONTINGENCIES

a) COMMITMENTS

Consulting Agreement

The Company entered into an exploration management services agreement dated December 31, 2010 with M’Ore Exploration Services (“M’ore”) and the President of M’Ore, who is an officer and director of the Company. Pursuant to the agreement, M’Ore provides consulting and management services to the Company and incurs various administrative expenses, including administrative salaries and office and vehicle rentals on behalf of the Company. The term of the agreement is for a period of two years ended December 31, 2012 and can be renewed thereafter at the end of every 12 months. Pursuant to this agreement, management fees and salaries incurred by M’Ore are capped at $200,000 per annum. Additionally the Company entered into a lease with M'Ore whereby they will pay $30,000, plus operating expenses, per annum for rental of office and storage space. The lease also specifies rates to be charged for the use of various equipment if utilized by the Company. In the event the exploration management services agreement is terminated by the Company, the Company is required to pay an amount equal to $72,000.

12. Commitments and Contingencies (cont'd)

b) Contingencies

As at November 30, 2012, November 30, 2011 and December 1, 2010, the Company held a $0.75 per tonne mined royalty ("NTR") against the McIlvenna Bay Property, formerly held as to a 25% interest by the Company and subsequently sold to Foran Mining Corporation with the NTR being part of the consideration paid to the Company.

The Company's exploration activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

c) Flow-through expenditures

During the year ended November 30, 2012, the Company renounced Canadian exploration expenditures in the aggregate amount of $3,457,300 (2011 -$666,500) related to proceeds from the issuance of flow-through shares pursuant to the financings described in Note 9(b) and is committed to incur $3,457,300 in qualifying Canadian exploration expenditures prior to December 31, 2012. As at November 30, 2012, approximately $14,000 of this commitment was unspent. If the Company does not incur the required qualifying expenditures, it will be required to indemnify the holders of the flow-through shares for any tax and other costs payable by them as a result of the Company not making the required expenditures. See also Note 16.

13. Segmented Information

All of the Company's assets, liabilities and operations are domiciled in Canada.

14. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital as well as cash and cash equivalents. There were no changes to the Company policy for capital management during the years ended November 30, 2012 and 2011. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is not subject to any externally imposed capital requirements. The Company's investment policy is to invest its excess cash in highly liquid investments that are readily convertible into cash with maturities of three months or less from the original date of acquisition or when it is needed, selected with regards to the expected timing of expenditures from continuing operations. The Company expects that its current capital resources will be sufficient to carry out its full exploration plans and operations through the coming twelve months.

15. FINANCIAL INSTRUMENTS

a) FAIR VALUE

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and lease obligation approximate their fair values due to the relatively short period to maturity of those financial instruments. Marketable securities are carried at their estimated fair value.

As at November 30, 2012	Loans and receivables and other liabilities $	Assets at fair value through profit and loss $	Total $
Cash	387,635	-	387,635
Marketable securities	-	2,287,000	2,287,000
Amounts receivable	12,750	–	12,750
Accounts payable and accrued liabilities	114,293	–	114,293

As at November 30, 2011	Loans and receivables and other liabilities $	Assets at fair value through profit and loss $	Total $
Cash	957,327	-	957,327
Marketable securities	-	2,400,000	2,400,000
Amounts receivable	34,850	–	34,850
Accounts payable and accrued liabilities	235,595	–	235,595

As at December 1, 2010	Loans and receivables and other liabilities $	Assets at fair value through profit and loss $	Total $
Cash	1,303,617	-	1,303,617
Marketable securities	-	3,600,000	3,600,000
Amounts receivable	26,065	–	26,065
Accounts payable and accrued liabilities	384,089	–	384,089

15. FINANCIAL INSTRUMENTS (CONT'D)

a) FAIR VALUE (CONT'D)

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at November 30, 2012 and 2011 and December 1, 2010, the financial instruments recorded at fair value on the statement of financial position are marketable securities which are measured using Level 1 of the fair value hierarchy.

b) FINANCIAL RISK MANAGEMENT

Credit risk

The Company is exposed to credit risk with respect to its cash and amounts receivable. Cash has been placed on deposit with major Canadian financial institutions.

Amounts receivable consist of GST receivable from the Federal Government of Canada. Management believes that the credit risk concentration with respect to this financial instrument is minimal.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash, by purchasing term deposits held at a major Canadian financial institution. Concentration of credit risk exists with respect to the Company's cash as the majority of the amounts are held at a single Canadian financial institution.

The credit risk associated with cash is minimized by ensuring the majority of these financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency.

15. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow for the upcoming year ended November 30, 2013 will be through equity financings.

The Company maintained cash at November 30, 2012 in the amount of $387,635 (November 30, 2011 - $957,327; December 1, 2010 - $1,303,617), in order to meet short-term business requirements. At November 30, 2012, the Company had accounts payable and accrued liabilities of $114,293 (November 30, 2011 - $235,595; December 1, 2010 - $384,089). All accounts payable and accrued liabilities are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company also holds a portion of cash in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2012.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash. A 1% change in interest rates on cash outstanding at November 30, 2012 would result in a $3,876 change to the Company's net loss for the year ended November 30, 2012.

Currency risk

The Company is not exposed to significant currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. Price risk to the Company relating to its marketable securities are derived from two factors:

- The ability of the issuer to sustain itself financially; and
- The ability to monetize the securities of the issuer.

The Company's marketable securities consist of 4,000,000 shares of Foran Mining Corporation with a fair value at November 30, 2012 of $2,280,000 and 100,000 shares of Jaxon Minerals Inc. with a fair value at November 30, 2012 of $7,000. A 1% change in the quoted market prices of these marketable securities would result in a $22,870 change to the Company's net loss for the year ended November 30, 2012.

15. FINANCIAL INSTRUMENTS (CONT'D)

Commodity price risk

The Company is exposed to price risk with respect to commodity prices, specifically precious and non-precious metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decision by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in investment patterns and monetary systems and political developments. As the Company does not have production assets, management believes this risk is minimal.

16. SUBSEQUENT EVENTS

Subsequent to November 30, 2012, the Company completed a non-brokered private placement of 3,750,000 units for gross proceeds of $280,000 of which 1,000,000 units were comprised of one common share and one common share purchase warrant and were sold for $0.06 per unit. The balance of 2,750,000 units were comprised of one flow-through share and one flow-through common share purchase warrant and were sold for $0.08 per unit. A director and officer of the Company subscribed for 2,250,000 flow-through units. A family member of the same director and officer subscribed for 500,000 flow-through units. Each whole warrant is exercisable into one flow-through common share of the Company at a price of $0.15 per flow-through share until December 29, 2013 for the non-flow-through unit warrants and January 1, 2014 for the flow-through unit warrants.

The Company is committed to incur prior to December 31, 2013, on a best efforts basis, $220,000 in qualifying CEE pursuant to this private placement.

On January 25, 2013, 2,275,000 share purchase options, exercisable at $0.10 per option, were granted to directors, officers, employees and consultants of the Company. The options vested immediately and have an expiry date of January 24, 2018.

17. TRANSITION TO IFRS

As a result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements. In prior years, the Company applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada. As required by IFRS, December 1, 2011 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Initial Election Upon Adoption Set forth below are the IFRS 1 applicable exemption applied in the conversion from Canadian GAAP to IFRS. *Exemptions applied* The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

• IFRS 2 "Share-based Payments" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to December 1, 2010, which have been accounted for in accordance with Canadian GAAP.

• IFRS 3 "Business Combinations" has not been applied to the business combinations that occurred before the date of transitions to IFRS.

• In accordance with IFRS 1, if a company elects to apply IFRS 3 "Business Combinations" retrospectively, IAS 27 "Consolidated and Separate Financial Statements" must be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS Mandatory Exceptions Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Company and Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies. *Reconciliations of Canadian GAAP to IFRS* IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial position and statements of loss and comprehensive loss have resulted in reclassifications of various amounts on the statements of cash flows. The following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company (Note 2).

a) EVALUATION AND EXPLORATION EXPENDITURES

Under IFRS, the Company has opted to continue to capitalize all evaluation and exploration costs. As part of the review process, the Company reviewed previously capitalized expenditures for any amounts incurred prior to the acquisition of the legal right to explore. As a result of this review, certain historical costs relating to properties were written off. The net effect from IFRS adjustments to exploration and evaluation assets was to decrease capitalized expenditures by $42,416 during the year ended November 30, 2011 (as at December 1, 2010 – decrease of $256,618) with a corresponding increase to generative exploration expense of $42,416.

17. TRANSITION TO IFRS (CONT'D)

B) SHARE-BASED PAYMENTS AND EXPIRED WARRANTS AND OPTIONS

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No material differences were determined and consequently no adjustment was made.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Under Canadian GAAP, amounts recorded in relation to the grant date fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

As a result of these changes, the Company reclassified $240,232 from contributed surplus to deficit during the year ended November 30, 2011 relating to expired stock options and warrants (As at December 1, 2010 − $535,227). An amount of $353,800 was reclassified from contributed surplus to stock options reserve on November 30, 2011 (December 1, 2010 − $220,600).

C) FLOW-THROUGH SHARES

Under Canadian GAAP, the Company recorded the proceeds received in a unit offering involving flow-through shares to capital stock and warrants. The Company renounced the tax benefits of the resource expenditures in accordance with income tax legislation, and recorded a future income tax liability in respect of the temporary taxable differences created by the renouncement, as a reduction of share capital and warrants. The Company followed Canadian Accounting Standards Board ("AcSB") Accounting Abstract EIC-146 ("Flow-through Shares"), which recommended that the future tax liability be recorded on the date on which the Company filed its renouncement documents, i.e. in a period subsequent to the end of the calendar year of the flow-through issuance. Future income tax assets for unused losses and other deductions were recorded in periods prior to the filing of the flow through share renouncements and were subsequently reversed when the renouncements were filed.

The Company's IFRS accounting policy for flow-through shares, which essentially follows U.S. GAAP, is disclosed in Note 2.

The net effect of these IFRS adjustments as at November 30, 2011 was to:

- (Decrease)/increase share capital by $(117,108) (December 1, 2010 – $317,270);
- Increase deficit by $426,138 (December 1, 2010 – $467,520).
- Increase flow-through share premium liability by $543,246 (December 1, 2010 - $150,250)
- Increase deferred tax recovery by $41,382 during the year ended November 30, 2011.

17. TRANSITION TO IFRS (CONT'D)

D) WARRANT EXTENSION

Previously, under Canadian GAAP, the Company accounted for the treatment of modification of warrant terms whereby an increase in warrant value is recorded as an expense on the statement of loss and comprehensive loss. Pursuant to a report dated July 19, 2012, the AcSB's IFRS Discussion Group concluded that the accounting under IFRS for the modification of warrants issued as part of a private placement unit should not trigger an expense. Rather the modification would trigger a reclassification within equity, or alternatively, no recognition at all. In consideration of this new guidance, on adoption of IFRS, the Company has elected to change its policy to not value warrant modifications for warrants issued as part of a private placement unit. This policy has been applied retrospectively.

The impact of this change was the reduction of investor relations expense for the year ended November 30, 2011 by $53,000 with a corresponding reduction to deficit, as the warrants had expired.

Reconciliation of statements of financial position

		As at November 30, 2011			As at December 1, 2010		
Assets	**Notes**	**Canadian GAAP $**	**Effect of Transition $**	**IFRS $**	**Canadian GAAP $**	**Effect of Transition $**	**IFRS $**
Current Assets							
Cash		957,327	–	957,327	1,303,617	–	1,303,617
Marketable securities		2,400,000	–	2,400,000	3,600,000	–	3,600,000
GST Receivable		34,850	–	34,850	26,065	–	26,065
Total current assets		3,392,177	–	3,392,177	4,929,682	–	4,929,682
Non-current assets							
Equipment		8,526	–	8,526	–	–	–
Evaluation and exploration assets	17(a)	8,310,228	(299,034)	8,011,194	5,441,890	(256,618)	5,185,272
Total Assets		**11,710,931**	(299,034)	**11,411,897**	**10,371,572**	**(256,618)**	**10,114,954**
Current liabilities							
Accounts payable and accrued liabilities		235,595	–	235,595	384,089	–	384,089
Flow through share premium	17(c)	-	543,246	543,246	-	150,250	150,250
		235,595	543,246	778,841	384,089	150,250	534,339
Deferred income tax liability		845,000	–	845,000	928,500	–	928,500
Total Liabilities		**1,080,595**	**543,246**	**1,623,841**	**1,312,589**	**150,250**	**1,462,839**
Shareholders' Equity							
Share capital	17(c)	12,383,892	(117,108)	12,266,784	9,418,632	317,270	9,735,902
Contributed surplus	17(b)	1,129,260	(1,129,260)	–	755,827	(755,827)	–
Stock option reserve	17(b)	–	353,800	353,800	–	220,600	220,600
Warrants reserve		245,562	–	245,562	48,686	–	48,686
Deficit	17(a)(b)(c)(d)	(3,128,378)	50,288	(3,078,090)	(1,164,172)	(188,911)	(1,353,073)
Total Shareholders' Equity		**10,630,336**	(842,280)	**9,788,056**	**9,058,983**	**(406,868)**	**8,652,115**
Total Liabilities and Shareholders' Equity		**11,710,931**	(299,034)	**11,411,897**	**10,371,572**	**(256,618)**	**10,114,954**

Reconciliation of statement of loss and comprehensive loss for the year ended November 30, 2011

Expenses	**Notes**	**Canadian GAAP $**	**Effect of Transition $**	**IFRS $**
Amortization		1,505	–	1,505
General and administrative		415,891	–	415,891
Investor relations	17(d)	95,602	(53,000)	42,602
Generative exploration	17(a)	254,472	42,416	296,888
Share based payment		145,700	–	145,700
Total expenses		**913,170**	**(10,584)**	**902,586**
Other income/(loss)				
Interest income		155	–	155
Unrealised (loss) on marketable securities		(1,200,000)	–	(1,200,000)
Total other (loss)		**(1,199,845)**	–	**(1,199,845)**
(Loss) before income taxes		**(2,113,015)**	–	**(2,102,431)**
Deferred income tax recovery	17(c)	148,800	41,382	190,182
Net (loss) and comprehensive (loss) for the year		**(1,964,215)**	**51,966**	**(1,912,249)**
(Loss) per share, basic and diluted		(0.021)	0.001	(0.020)
Weighted average shares outstanding, basic and diluted		94,590,949		94,590,949

Reconciliation of statement of cash flows for the year ended November 30, 2011

	Notes	Canadian GAAP $	Effect of Transition $	IFRS $
Cash Flows from Operating Activities				
Net loss		(1,964,215)	51,966	(1,912,249)
Unrealized loss on marketable securities		1,200,000	-	1,200,000
Deferred income tax recovery	17(c)	(148,800)	(41,382)	(190,182)
Amortization		1,505	–	1,505
Warrant extension	17(d)	53,000	(53,000)	-
Share based compensation		145,700	–	145,700
(Increase) in amounts receivable		(8,785)	–	(8,785)
(Decrease) in accounts payable and accrued liabilities		(152,537)	–	(152,537)
Cash (used in) operating activities		(874,132)	(42,416)	(916,548)
Cash Flows from Financing Activities				
Proceeds from issue of shares		3,344,081	–	3,344,081
Share issue costs		(169,616)	–	(169,616)
Proceeds from exercise of options		20,000	–	20,000
Proceeds from exercise of warrants		255,000	–	255,000
Cash provided from financing activities		3,449,465	–	3,449,465
Cash Flows from Investing Activities				
Purchase of capital assets		(10,031)	–	(10,031)
Deferred exploration expenditures	17(a)	(2,911,592)	42,416	(2,869,176)
Cash used in investing activities		(2,921,623)	42,416	(2,879,207)
(Decrease) in cash		(346,290)	–	(346,290)
Cash, beginning of year		1,303,617	–	1,303,617
Cash, end of year		957,327	–	957,327